



August 8, 2022

Michael Geoghegan
President
Eastern Gateway Community College
4000 Sunset Boulevard
Steubenville, OH 43952-3598

Sent via Email
mgeoghegan@egcc.edu

Re: Transfer to HCM2 Method of Payment
OPE ID: 00727500
DUNS Number: 072160633
UEI: F5WDD45CME36

Dear President Geoghegan:

The School Participation Division-Chicago/Denver has transferred Eastern Gateway Community College (EGCC) from the Advance method of payment to the Heightened Cash Monitoring 2 (HCM2) method of payment effective August 8, 2022. This action is authorized by the General Education Provisions Act, 20 U.S.C. § 1226a-1, and the Title IV Cash Management Provisions, 34 C.F.R. § 668.162.

The Department has taken this action as a result of serious and systemic issues identified during the ongoing program review being conducted at your institution. In addition to the issues previously raised regarding the financing model of the Free College Benefit Program, the Department has identified other concerns that call into question EGCC's ability to properly administer the Title IV programs and its ability to act in the capacity of a fiduciary. In particular:

- EGCC is unable to reconcile its Title IV drawdowns to individual student accounts for the period under review, meaning that the school cannot properly document that specific students were the beneficiaries of Title IV assistance received by the institution.
- The institution's general accounting records contain serious discrepancies.
- EGCC has inadequate internal controls, including employees in key roles who were being paid by both the institution and its servicer, an unusually high turnover of staff, and a clear lack of training and/or experience of individuals involved in various Title IV functions.

Further, inconsistencies in the data and documents provided to the Department have raised concerns regarding EGCC's compliance with Title IV student eligibility requirements, satisfactory academic progress standards, and Title IV return requirements.

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M.L10.04.05.2021

Under the HCM2 method of payment, EGCC may continue to obligate funds under the federal student financial assistance programs authorized by Title IV of the Higher Education Act of 1965, as amended. EGCC may disburse institutional funds to eligible students. If EGCC disburses institutional funds, the U.S. Department of Education (Department) will reimburse it for properly documented expenditures. The Department reserves the right to offset any federal claims against funds due to EGCC.

If you wish to discuss this matter, please contact me at (312) 730-1529.

Enclosed are detailed instructions for all HCM2 requests. Please address all inquiries about HCM2 requests to:

Rosa Reth, Payment Analyst
Phone: (312) 730-1469
E-mail: Rosa.Reth@ed.gov and Chicago.Denver.SPD@ed.gov

Please note that the placement of EGCC on HCM2 does not preclude the Department from taking an administrative action against the institution in the future.

If you have questions or concerns, please contact Rosa Reth at Rosa.Reth@ed.gov.

Sincerely,



Digitally signed by Jeremy Early
Date: 2022.08.08 11:42:13
-05'00'

Jeremy Early, Ed.D.
Division Chief
Chicago/Denver School Participation Division

Enclosures:

Instructions for Obtaining Funds under HCM2 Method of Payment
Student Data Spreadsheet required fields
Claims Processing for Schools – User Guide

cc: Kurt Pawlak, Interim Director of Financial Aid
The Higher Learning Commission
Ohio Department of Higher Education
Department of Veterans Affairs
Department of Defense
Consumer Financial Protection Bureau
David Coy, Board of Trustee Member
Angela Mastros, Board of Trustee Member
Christine Dennison, Board of Trustee Member
James Gasior, Board of Trustee Member
JoAnn LaGuardia, Board of Trustee Member

Keith Meredith, Board of Trustee Member
William Nurczyk, Board of Trustee Member
H. Gilson Blair, Board of Trustee Member

INSTRUCTIONS FOR OBTAINING FUNDS UNDER HEIGHTENED CASH MONITORING (HCM2) METHOD OF PAYMENT

The U.S. Department of Education (the Department) has developed these instructions to minimize the documentation the institution must submit, as well as to facilitate the School Participation Division's review of that documentation. The School Participation Division reviews this documentation to determine the accuracy and reliability of the information submitted. If necessary, the School Participation Division (SPD) may require the institution to submit additional documentation of proper expenditures before the Payment Analyst disburses funds to the institution and/or before approving program authorization requests.

For the Federal Pell (Pell) Grant, Federal Supplemental Education Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal William D. Ford Direct Loan (Direct Loan) programs, the institution must demonstrate that it properly determined, awarded, and used its own funds to make disbursements under these programs to eligible students who are enrolled in and are attending eligible programs. When the institution has demonstrated that it has expended these funds in accordance with Title IV requirements, the Department will reimburse the institution (or credit the institution's account from its latest existing cash on hand balance), subject to any right of offset available.

The institution is required under 34 C.F.R. § 668.162(d) to credit students' accounts, or otherwise use its own funds to pay students, for the amount and type of Federal aid they are eligible to receive prior to requesting reimbursement of those funds from the Department. Pell and Direct Loan disbursement rosters must be in "review status" in the Common Origination and Disbursement (COD) system prior to the institution processing a claim to the Department within the COD system. All student names, social security numbers and amounts listed in the payment claim must match those in the COD system. All student records must be verified in COD. When verifying records in COD; do not select the "W" (Without Documentation) verification code.

Please note: Complying with HCM2 requirements does not relieve an institution of its obligation to continue reporting payment data to the Department.

I. TECHNICAL ASSISTANCE

Please read these instructions carefully, along with the Claims Processing for Schools – User Guide. These instructions have been written in a general manner in order to be used by all the various types of institutions that participate in the Title IV HEA student financial assistance programs. Since different institutions use different methods for recording, processing or storing information, or use different terminology for certain items, it is important to understand that it may be necessary to contact your Payment Analyst for clarification. If there are any doubts about the requested information, please clarify these issues with your Payment Analyst before submitting a request in order to avoid discrepancies and delays.

When ready, process the claim and upload the documentation below to the COD system according to the Claims Processing for Schools – User Guide.

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II. HCM2 CLAIM

Our office will accept and process only one new HCM2 request during any 30-day time period. The institution may submit funding requests for multiple award years together – this will be considered one claim. A separate Student Data Spreadsheet must be included for each award year

After a minimum of six (6) consecutive accurate and complete claim requests and demonstration that the institution's overall administrative/financial controls are in place, the Payment Analyst may allow the institution to submit its HCM2 requests without all of the student documentation identified in Section D. However, the institution must include, at a minimum, the Form 270 with original signatures (see Section B), and the Student Data Spreadsheet for each award year. (see Section C).

Documentation in the claim will not be returned. Therefore, the Department strongly recommends that the institution maintain a copy of the HCM2 claim.

A. Protection of Personally Identifiable Information

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). If submitting a payment request claim via COD Claims Processing module, PII will be protected and encrypted.

B. Required Forms/Certifications

The institution is required to submit a completed Form 270, Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2) with each HCM2 claim. This form is used to request Title IV funds under HCM2.

The President, Owner or CEO and the comptroller and/or third-party servicer is required to certify that the information submitted to receive funds while under the HCM2 payment method is accurate. **A false certification may result in civil or criminal action by the Department against the institution.**

With each HCM2 request submitted, the institution must include one Form 270 per award year for which funds are requested. All Title IV program funds requested must be indicated on the Form 270 and it must be completed according to the instructions provided with the form.

i. Downward Adjustments

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When completing the Form 270, if Title IV adjustments are due when a student ceases attending and your institution has previously claimed more than the "earned" amount, the institution must include the downward adjustments for the student for all programs-- Pell Grant, FSEOG, TEACH Grant, and Direct Loan Funds -- in the claim. This will be considered "Cash On Hand" on the 270 Form.

ii. Campus-Based Requests

When submitting a claim via the COD Claims Processing module, at least 1 Pell, Direct Loan, or TEACH disbursement record must be included in order to request payment of Campus-based funds.

C. Required Student Information

The information listed below must be provided for each student for whom the institution is requesting funds on the submitted claim for (hardcopy and/or electronic). The spreadsheet to be used is enclosed and should be submitted, along with the Form 270, through the secure portal sent to Kurt Pawlak by Jamal Steward.

During this transition of payment methods, any outstanding disbursements not yet released from G5 into the institution's federal bank account must be submitted in a separate claim in order to receive payment for these students. Email the Claim ID to the Payment Analyst. The Title IV program totals on the spreadsheet must equal the balance in G5. No further student specific documentation will be required for the outstanding disbursements to be released.

- Sequence Number
- Student Last Name
- Student First Name
- Social Security Number
- Address (street, city, state, zip)
- Telephone Number
- Instructional Program
- Enrollment status (full-time, $\frac{3}{4}$ time, $\frac{1}{2}$ time, $< \frac{1}{2}$ time)
- Admission criteria used for the student's enrollment (high school diploma, GED, ability to benefit test, college transcript)
- Number of Clock or Credit (specify) hours in the student's program of study
- Number of Clock or Credit (specify) hours in the institution's academic year
- Number of Clock or Credit (specify) hours in the payment period
- Number of Clock or Credit (specify) hours completed by the student to date of payment
- Start date/re-entry date (if applicable)/withdrawal date (if applicable)/last date of attendance (if applicable) and midpoint date of student's program. For distance

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education programs, the first date the student logged on AND engaged in educational activity

- If student withdrew, the percentage of tuition retained
- Student's cost of attendance
- Direct education cost for enrollment period status
- Expected Family Contribution (EFC)
- Certification that student is making satisfactory academic progress (SAP) (qualitatively and quantitatively) – indicate yes or no
- Professional Judgment or Dependency Override adjustment – indicate yes or no
- Grade Point Average (GPA)
- Award amount currently requested for the student, by Title IV program for which authority to disburse is sought. Title IV programs are: Pell Grant, FSEOG, Federal Portion of FWS, Direct Loan.

Because the Institution is also a participant in the Federal Direct Loan program, it must also include:

- Loan Period
- Grade Level
- Type of Loan

To reiterate, the institution must submit the above information in the format specified. If not submitted in this format, the Department reserves the right to reject the claim request for funds/authorization by the institution.

D. Required Student Documentation

To support the request for funds, the institution must provide student records that demonstrate:

- The institution's students were eligible to receive their awards;
- The institution calculated student awards properly; and
- The institution has disbursed the award amounts to those students

Once the form 270 and student data spreadsheets are submitted, the Department will provide a list of the student sample for whom documentation should be submitted. The Department will also provide instructions on how to submit the required documentation and the time frame for submitting the documentation.

For each student for whom the institution is required to submit a student file for the institution will need to submit the most recent copies of the requested documentation, in the order listed below.

- **All ISIR transactions** (not just paid-on ISIR). The ISIR must have all pages, an EFC, and all comment codes with related text.

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- **Complete verification documentation** (please see the Federal Student Aid Handbook Application and Verification Guide) for the applicable award years and the appropriate verification group.
- **Documentation resolving conflicting and discrepant information**, (e.g., C- codes on the ISIR, name changes, gender ambiguity)
- **Documentation to support any institutional intervention** in determining a student's eligibility, e.g., professional judgment, SAP appeals, dependency overrides, etc.
- **Proof of academic qualifications: verification of high school diploma/high school diploma equivalent. The following are acceptable forms of proof:**
 - High school diploma
 - Copy of high school diploma
 - Copy of high school transcript showing graduation date
 - Home schooling certification
 - Equivalent of high school diploma
 - GED
 - State Certificate if applicable
 - Academic transcript from completed two-year program that is acceptable for full credit towards a bachelor's degree
 - Documentation that student excelled academically in high school, in an associate's degree program, etc. See regulation 600.2 (The institution must have a policy for admitting such persons.)
 - Documentation of a passing score consistent with test publisher requirements (e.g., complete examination, score sheet and independent tester certification)
- **Award calculation**, by specific payment period and disbursement
- **Copies of official institutional student tuition account records**, documenting each completed transaction (including transaction date, description and debit or credit), by cash payment or credit, from the student's initial enrollment through the present. Records must be in chronological historical sequence. The records should demonstrate that the institution has properly credited the student's tuition account records with Title IV disbursements, return of Title IV funds, and paid credit balances.
- **Credit balance documentation**, demonstrating all student credit balances were liquidated. One of the options below must be provided:
 - Documentation of electronic transfer to the student bank account
 - Front and back copies of cancelled check to student
 - Receipt for cash disbursed, and
 - Return of credit balance to Title IV program

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Any credit balances must be paid to students within 14 days of balance creation according to 668.164(h). The institution shall not obtain student or parent authorization to hold credit balances. Students are not to be included in the HCM2/Reimbursement claim until the institution can provide credit balance documentation showing credit balance paid to the student.

All credit balances must be paid prior to draw down of funds, even if the student/parent signed a credit balance authorization in the past. The use of credit balance authorization forms is prohibited.

- **Proof of Satisfactory Academic Progress**, including:
 - Academic Transcript for entire academic history with the institution, including:
 - Grade Point Average (GPA)
 - Cumulative GPA
 - Hours/Credits attempted
 - Hours/Credits completed
 - Payment period
 - Transfer hours/credits accepted
 - Documentation of any student appeal of failure to make SAP
 - SAP measurement documentation in the student file, if any
- **Additional relevant student file documents:** The Institution must submit any additional information relevant to determining the eligibility of students submitted for review. This must include documentation such as leave of absence documentation, an eligibility checklist, Financial Aid Director notations of changes to eligibility, counseling records pertinent to satisfactory academic and attendance progress, etc.
- **Attendance Documentation:** Source documents or summary document determined in consultation with the SPD.
- **Documentation of Return to Title IV funds** for withdrawn students for whom the institution is requesting HCM2/adjustment, including:
 - R2T4 calculation worksheet
 - Student withdrawal form for official withdrawals
 - Documentation of return of funds to the lender / the Department (e.g., front and back copies of check to the lender / the Department, copies of electronic transaction confirmations, Form 270 form showing downward adjustment, copy of negative disbursement record from COD)
 - Documentation of Post Withdrawal Disbursement made to student
 - Screen print showing withdrawal information was reported to NSLDS
- **For Direct Loan recipients**, entrance counseling documentation, including student signature and date

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- **For FWS recipients**, FWS Time Sheets, including certification by the student's supervisor (electronic or hard copy) and for students paid on an hourly basis, the hours student worked in clock time sequence (check in and check out) or the total hours worked per day. Note: Graduate students can be paid on a salary basis (see 34 C.F.R. § 675.24)
- **For FWS recipients**, FWS Job Description, including location and description of responsibilities
- **FWS Hourly Wages**, for each job description provided
- **For FWS recipients**, FWS Proof of Disbursements - Check register displaying student name, SSN, date and amount of disbursement
- **Enrollment Agreement/Contract**: For institutions that execute, include the fully completed enrollment agreement or contract, including program name, cost, start date, student signature and date.
- **Institutional pre-enrollment documents if any**, including Application for Enrollment, Application for Financial Aid, Pre-enrollment Student Questionnaire, etc.

E. Required Institution Information

The institution must email the Payment Analyst a copy of its most current:

- School Catalog
- Student Handbook
- Consumer Information handouts/addendums
- Satisfactory Academic Progress policy
- Attendance policy and description of method/system of documenting attendance, including how you determine whether the student withdraws, drops out or is expelled before his or her first day of class
- Return to Title IV policy
- FSEOG student selection policy
- Procedures for determining a withdrawn student's last day of attendance (official and unofficial)
- Selection procedures for campus-based recipients
- Award formulas for each Title IV program and for each academic program
- Pell and Campus-Based/Direct Loan cost of attendance/budget for each academic program
- Key/legend for any submitted documentation, e.g., account ledger, academic transcript
- Independent test administrator's ATB certification
- Formula for calculating students' Grade Point Average (GPA) if not included in Student Handbook or catalog

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- Method of disbursement of FWS wages (by check, EFT, credit to student account, or cash with signed receipt)
- For Campus-Based programs, method of matching federal share
- Information describing characteristics for each academic program to determine program type (term, non-term and non-standard term) and method of delivery (in-person, distance education, correspondence, or combination), Pell grant formula, disbursement schedule, academic year definition, minimum full time and borrower based vs. scheduled academic year

Subsequent claims do not require submission of these documents unless these documents are revised.

F. Request for Administrative Cost Allowance

The institution will request Pell Administrative Cost Allowance (ACA) funds through the G5 system. If the institution is unable to receive ACA funds from G5, a letter on official letterhead with the amount/request must be emailed to the Payment Analyst. The Claim ID must be included on the letter. Do not indicate the ACA amount on the Form 270.

III. CLAIM PROCESSING

Normal processing time is thirty (30) days from the date the claim is received. However, the School Participation Division reserves the right to take the necessary time to review the request for reimbursement and to request and review additional documents before providing funds to the institution. If the Payment Analyst anticipates a delay in processing a request, our office will notify the institution and indicate the expected completion date.

After reviewing a claim, the Payment Analyst will initiate the release of the appropriate amount of funds to the institution. If the review results in only a partial approval, the request will be amended, and the reduced amount will be provided. The Payment Analyst will inform the institution by letter of the program funds and reasons for any rejected amounts. The institution may correct the errors and resubmit the rejected records as part of its next claim, which is the recommended approach. If the institution chooses to resubmit the rejected records as a separate claim, the institution must correct the errors and resubmit the records as a complete claim, including Form 270, Student Data Spreadsheet, etc. The institution may submit the claim without waiting for the original 30-day submission period to pass. The Claim ID and associated letter listing the rejected records must be emailed to the Payment Analyst. The resubmitted records must reflect the same information as the disbursement records that were rejected. It must have the same student names, amounts, award years, and programs per the letter received. Upon receipt of the resubmitted claim request, a new 30-day period will begin.

If an entire claim is rejected, the institution will receive a letter with specific information about the errors found. The institution may correct these errors and resubmit the complete package, including the corrected documentation. If a claim is rejected, the institution may resubmit that

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request without waiting for the original 30-day submission period to pass. Upon receipt of the resubmitted claim request, a new 30-day period will begin.

Depending upon findings resulting from processing of the institution's initial claims, the Department may require additional student data and/or documentation in subsequent claims. The Department will notify the institution in writing of any additional claim requirements.

The approval of a claim in no way limits the Department's right to later determine that these funds were improperly expended, and to recover these funds from the institution as the result of an audit or program review or in any other manner.

In order to verify the accuracy and completeness of any data submitted, all institutions on the HCM2 method of payment are subject to random unannounced documentation reviews.

IV. Requirements for Institution to Return to Advance Method of Payment

The institution may contact its Payment Analyst in order to obtain detailed requirements the institution must meet in order to be returned to the advance method of payment. In general, the reasons for the institution being placed on HCM2 will need to be satisfactorily addressed before returning to the advance method of payment. However, if while on HCM2 other issues arise that also would have caused the institution to be placed on HCM2, those issues will have to be addressed as well. If an institution is placed on HCM2 as a result of a program review or audit, the institution will remain on this method of payment until all outstanding issues of the program review or audit have been closed. This includes any period during which an appeal of any final determination is proceeding. In addition, the institution will have to demonstrate that any outstanding liabilities are being paid in a timely manner according to any agreement or settlement reached. In addition, the institution must resolve any and all negative balances in G5 Pell and Direct Loan excess cash for all open and closed award years.

If you have any questions regarding these procedures, please contact Rosa Reth, Payment Analyst of the School Participation Division – Chicago/Denver at Rosa.Reth@ed.gov.